

Flash Note

Friday, 19 February 2021

Cements

D.G. Khan Cement Company Limited (DGKC)

Higher retention and lower finance cost lifts EPS by two folds to PKR 2.63 in 2QFY21

- D.G. Khan Cement Company Limited (DGKC) announced its financial result for 2QFY21 with un-consolidated earnings clocking in at PKR 1,152mn (EPS: PKR 2.63), up by +98%y/y, as compared to PKR 581mn (EPS: PKR 1.33) reported in the same period last year. This brings 1HFY21 EPS to PKR 1.83 as against LAT of PKR 1.93 reported in the similar period of the preceding year.
- Net Sales of the Company during 2QFY21 decreased by 4%y/y, largely led by lower dispatches made during the quarter. However on a sequential basis net sales increased by +8%q/q on the back of +17% q/q incline in sales volumes, higher retention and lower discounts.
- Gross profit of the company jacked up by +54%y/y and +139%q/q respectively following improved retention and considerably restricted cost structure and softened coal prices towards lowered costs. However, we await detailed accounts for further analysis in this regard.
- A steep 37%y/y decline in finance cost outweighed operating margins. This decline in finance cost is due to low borrowing requirement during the quarter and series of rate cuts in benchmark interest rates.
- Along with the result the Company has decided to evaluate brown field capacity expansion to the tune of 9,000TPD-12000 TPD

Exhibit: DGKC 2QFY21 Result Highlights								
Period end (Jun) - PKRmn	2QFY21	2QFY20	Y/Y	1QFY21	Q/Q	1HFY21	1HFY20	Y/Y
Net Sales	11,348	11,819	-4%	10,514	8%	21,863	20,888	5%
Gross Profit	2,406	1,560	54%	1,008	139%	3,413	1,021	234%
Sell. / Dist. & Admin	540	731	-26%	763	-29%	1,302	1,367	-5%
Other Operating expense	47	53	-12%	2	30.09x	48	55	-12%
Other Income	283	632	-55%	70	303%	354	1,185	-70%
Net impairment losses on financial asset	-	50	0%	-	0%	-	50	
Reversal of impairment losses	(31)					(31)		
EBIT	2,134	1,357	57%	314	580%	2,448	734	233%
Financial Charges	757	1,200	-37%	771	-2%	1,529	2,456	-38%
Pre-tax Profits	1,376	157	774%	(457)	n/a	919	(1,722)	n/a
Taxation	225	(424)	n/a	(107)	n/a	118	(875)	n/a
Post-tax Profits	1,152	581	98%	(351)	n/a	801	(847)	n/a
EPS	2.63	1.33		(0.80)		1.83	(1.93)	
DPS	-	-		-		-	-	
Key Ratios								
Gross Margin (%)	21%	13%		-3%		4%	-4%	
Net Margin (%)	10%	5%		-3%		4%	-4%	
Source: IGI Research, Company Accounts, PSX						No. of Shares: 438mn		

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